



SOUTHERN HEALTH SYSTEMS, INC.

August 31, 2001

Dear Southern Health Systems' Enrollee:

As you are perhaps aware, Southern Health Systems, Inc. (SHS) was taken over by the Alabama Department of Insurance on August 24, 2001. Then, on August 28, 2001, under a court order issued in the Circuit Court of Jefferson County, Alabama (Civil Action No. CV 01-5259), the Department of Insurance was directed to close SHS in accordance with Alabama law.

Unfortunately, this action is similar to a bankruptcy. This letter serves to inform you of certain rights and responsibilities you may have as it relates to your coverage. Please carefully observe the following, and retain this letter for your records:

PLEASE BE AWARE THAT UNDER ANY CIRCUMSTANCE, YOUR COVERAGE THROUGH SHS SHALL END AS OF SEPTEMBER 30, 2001.

What are your coverage options?

Blue Cross and Blue Shield of Alabama (BCBSAL) has agreed to offer a coverage option to all current SHS enrollees. You will soon receive specific information and instructions from BCBSAL regarding this option. If you elect to purchase the coverage, there will be no exclusions for "pre-existing conditions", and the coverage will be backdated to August 28, 2001. If you are currently an SHS enrollee, and do not receive information by mail from BCBSAL by Friday, September 14, 2001, please call the BCBSAL Customer Service Department at 1-800-292-8868. It is important that you understand that you must follow the instructions provided by BCBSAL in order to assure coverage.

On the other hand, you may elect to purchase coverage from various other health plans, however no company other than BCBSAL has made special arrangements to offer a guaranteed coverage opportunity for current SHS enrollees. In any event, you are strongly encouraged to take action to protect your health coverage needs.

What about claims that may not have been paid by SHS?

Under Alabama law, you may not be billed by SHS Participating Providers for Covered Services, except for any copayments, deductibles or coinsurance amounts as stated in your SHS coverage materials. Specifically, those doctors, hospitals and other health care providers participating in the SHS network when you received Covered Services, are prohibited by law from seeking payment from you. If you receive bills, or are subject to any type of collection activity after September 15, 2001 from medical care providers who you believe were Participating Providers, please contact please call the SHS Member Services Department at 1-888-446-4747 for investigation and follow-up. You may be asked to provide evidence that you are in fact being subject to a violation of Alabama law.

What about prescription drug coverage?

Those enrollees whose SHS coverage includes a pharmacy benefit may have recently had to pay their pharmacy in full for prescriptions. Unfortunately, this will continue to be the case for those who continue their coverage with SHS. In the event this has happened to you, or happens to you while your coverage is in force with SHS, you will need to submit a claim to SHS for reimbursement consideration. Should you need instructions on how to submit a pharmacy claim, please call the SHS Member Services Department at 1-888-446-4747.

Instructions regarding dental coverage.

If dental coverage is included in your SHS benefits, claims for services will be handled in the same manner as for prescription drugs. If you incur charges for Covered Services, you will need to submit a claim to SHS for reimbursement consideration. Your dentist may provide you with a claim form. If not, again, please call the SHS Member Services Department at 1-888-446-4747.

Claim Filing Deadline.

All claims for Covered Services must be filed with SHS by the timeframe specified in a Participating Provider Agreement, if applicable, but in no case shall any claim be considered for payment if not received by 5:00 p.m., Central Standard Time, on February 28, 2002.

What if certain health care providers deny to render treatment?

Though unfortunately, certain providers of care may not be paid for Covered Services rendered to you, most of them are under a contractual commitment to provide such services without regard to payment. In addition, there are laws in Alabama, as in most states, which require prompt and appropriate delivery of medical services under certain circumstances, particularly those episodes that may involve urgent or emergent treatment. In the unlikely event that you believe that you are unfairly or inappropriately denied care due to the status of SHS, contact the Receivership Division of the Alabama Department of Insurance at 334-240-7560.

Finally, on behalf of the Alabama Department of Insurance, our objective in carrying out the liquidation of SHS is to assure that you are protected to the fullest reasonable extent. In this letter, we have attempted to identify the primary issues you may face and to provide direction accordingly. Please let us know if we may provide additional assistance.

Sincerely,

Denise B. Azar
Receivership, Southern Health Systems